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Denmark: the long-lasting class compromise

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Abstract

Purpose – The purpose of this paper is to offer a critical examination of industrial relations in Denmark.

Design/methodology/approach – The approach is based upon available data and a mixture of Marxist theory and systems theory. The theoretical position is discussed in relation to the academic discourses on the main characteristics of Danish industrial relations and provides a review of the foundation and historical development of the Danish system.

Findings – From this basis, it is analysed how the stagnation or decline has taken place in recent years regarding representation of workers' interest as well as the ability of the Danish system to maintain its key importance when challenged by decentralisation, decreasing union affiliation rates, cuts in unemployment insurance and social dumping due to labour migration.

Originality/value – It is an original paper which offers a critical analysis of the institutional decline and increasing inequality that are the result of the liberalist political-economic hegemony.

Keywords Labour market, Trade unions, Industrial relations, Collective bargaining

Paper type Research paper

1. Introduction: theoretical basis and structure of the paper

This paper offers a critical examination of industrial relations in Denmark. The Danish system is first and foremost characterised by the prominent role played by national trade unions and employers' associations. Since the end of the nineteenth century central agreements between the labour market parties and national collective agreements have been the main instruments for regulating the employment relationship.

Theoretically, the paper departs from a combination of system's theory (Dunlop, 1958) and a Marxian understanding of class and power relationships (Hyman, 1975).

Within this frame a crucial question regards the balance between the different interests within the system: Does the system actually yield advantages to all parties involved, are genuine bargaining processes taking place, or is the system in practice completely dominated by the employer class? A related question is how the relative positions of strength between employers and workers develop over time: Do workers have the power, or resources, to say no to wages and working conditions that fall below certain standards – or are they in reality forced to accept what is offered by employers? The power relations between employers and workers are influenced by a number of conditions that lie outside the individual workplace, conditions such as the business cycle (the rate of unemployment), globalisation (felt by workers as increased competition in the labour market), employment



and social protection policies (the existence or not of a welfare state) as well as the strength of union and employer organisation (Hyman, 1975; Salamon, 1998; Standing, 1999).

A further theoretical inspiration has come from the literature on varieties of capitalism. Within this understanding the industrial relations system of a particular country to an important degree reflects the wider type of capitalism of that country. Considering the distinction drawn by Hall and Soskice (2001), between “liberal market economies” and “coordinated market economies”, Denmark fits well into the latter group. In a recent study from the Eurofound (2016) Christian Welz and colleagues singled out five regimes of industrial relations among the European Union member states. Denmark, together with the other Nordic countries, is placed under the regime “organised corporatism”.

The structure of the paper is as follows. After the theoretical positioning done already in this section, Section 2 deals briefly with academic discourses on the main characteristics of Danish industrial relations. How has the Danish system been conceptualised, as “Danish model”, as “flexicurity system” etc.? Section 3 provides an empirically based review of the foundation and historical development of the Danish system. It is very much the story of the system’s progression, but also of progress for workers – rising living standards as well as acquisition of collective and individual rights in working life.

The British historian Eric Hobsbawm (1981) looked back at a period which he saw as characterised by “the forward march of labour”, before he went on to discuss when and how the forward march was halted (Hobsbawm, 1981). In a similar way, Section 3 of this paper attempts to depict the forward march as experienced by Danish workers, not so much by looking at the development of class consciousness and political attitudes as was the yardstick used by Hobsbawm, but rather by focussing on the material conditions and rights of workers. It is difficult to say when labour’s situation in Denmark stopped to be one characterised by progress. In some respects progress continues, in other respects a retreat or decline began already in the 1980s. This latter tendency is the theme of Section 4 in which some of the major changes of the last decades are presented and discussed. Contrary to the forward march documented in Section 3, Section 4 deals with, if not decline then at least stagnation regarding the representation of workers’ interests as well as the ability of the Danish system to maintain its central position when challenged by decentralisation, decreasing union affiliation rates, cuts in unemployment insurance and social dumping due to labour migration. Finally, Section 5 contains the conclusion of the paper: the long-lasting Danish class compromise governing Danish industrial relations is still in force, but it is so in a form in which labour has a weaker position than in earlier periods.

2. Academic discourses on the nature of industrial relations in Denmark

One of the first scholars to draw attention to the particularities of the Danish industrial relations system was Walter Galenson, an American Researcher who in 1952 published the book *The Danish System of Labor Relations: A Study in Industrial Peace*. Galenson (1969) identified as key features the strong role played by trade unions and employer associations in regulating labour relations, notably in the form of collective bargaining, and a relatively cooperative spirit and relatively harmonious relations between the parties. Government regulation was found to be sparse, with legislation mainly aiming at facilitating the institutions set up by the labour market parties themselves. Galenson found the Danish system to be one of industrial peace. Not that conflicts were absent, but they were present to a smaller degree and in a more controlled way than in the other countries.

The same main characteristics as those emphasised by Galenson, not least the prominent position played by unions and employer associations and the centrality of collective bargaining, have subsequently been highlighted by a number of Danish scholars (Due *et al.*, 1993; Jensen, 2007; Kristiansen, 2014). Due *et al.* (1993) used the term “the Danish model” as a core concept aiming at catching the key features of Danish industrial relations, especially the

importance of collective bargaining. In fact, “the Danish model”, or “the Danish bargaining model”, has since then become the preferred concept in the media and among politicians and trade union and employer leaders when they refer to the Danish industrial system.

Whilst the notion of “the Danish model” is a key landmark in domestic debates on Danish industrial relations, internationally Denmark has first and foremost received attention for its so-called flexicurity system. During the latter part of the 1990s when Denmark, unlike many other European countries, enjoyed economic growth and decreasing unemployment figures, policy makers and social scientists began to point to Denmark as a model country for flexicurity (Auer, 2000, Ganssmann, 2000).

Conceptually, “flexicurity” contains more elements than “the bargaining model”. Flexicurity embraces a combination of elements from collective bargaining on the one hand and employment and welfare policies on the other hand (Bredgaard *et al.*, 2007). While the bargaining model is primarily valued as an institution that helps to create a prosperous economy functioning in a relatively harmonious way the flexicurity model has, in particular, been praised for its ability to simultaneously strengthen the economy (the productivity and competitiveness of the enterprises) and total employment in society. Similar to the “Danish model” notion, the conceptualisations on Danish flexicurity contain assumptions of harmony, saying that the system functions in ways that serve everybody well: employers, employees and society as a whole.

Unlike in the Netherlands, where in the late 1990s the concept “flexicurity” was framed as a term for specific policies aiming at striking a balance between flexibility and security concerns, Danish flexicurity was seen rather as the accidental result of a long historical process (Wilthagen and Tros, 2004; Bredgaard *et al.*, 2007). Main elements are the establishment of a stable and encompassing collective bargaining system, the development of active labour market policies and the existence of a welfare state which at least from the early 1970s could be characterised as generous. Whilst it is primarily the self-regulation through collective bargaining and the corresponding non-intervention by the state that have secured flexible conditions for Danish employers, it is the welfare state, notably in the form state supported training schemes and the social and economic security that have created a relatively high degree of security for workers.

It is debatable to what extent the flexicurity concept is a fair description of Danish labour market regulation. In a comparative perspective it is probably true that conditions in Denmark are both more flexible and more secure than in most other countries. However, as can be seen later in this paper, not least the security of Danish workers has been reduced since Denmark became known as a “flexicurity” country in the late 1990s.

3. Genesis and main features of the Danish industrial relations system

This section first gives an account of the founding, historical development and the key features of the Danish system. After that it goes on to present the main actors – unions and employer organisations – and then the main types of processes through which the actors interact: collective bargaining, participation and conflicts. Finally, a brief description is given of the outcomes of the system – what workers and employers get from it.

3.1 Early days: the founding of a system

Industrial relations of a modern type emerged in Denmark as a result of industrialisation, but importantly also spurred by an Act which in 1857 introduced free enterprise and abolished the guild-based production system which had existed since the Middle Ages. (Engelstoft and Jensen, 1930; Galenson, 1969).

In spite of various divisions, for instance, between skilled and unskilled workers, the majority of the existing union associations in 1898 joined forces in DsF, *De samvirkende Fagforbund* (since 1959 LO, *Landsorganisationen i Danmark*). The DsF was a part of the

Social Democratic movement; the political party had representation on DsF's executive committee, just as the DsF was represented in the party leadership. These formal ties existed until 1996.

Also in 1898 the employer side formed a joint confederation, namely, *Dansk Mester- og Arbejdsgiverforening* (now DA, *Dansk Arbejdsgiverforening*). It occurred as a response to an increasingly successful industrial struggle where workers and their unions, often successfully, fought for higher wages, shorter working time and against degrading conditions.

In 1899, the newly formed employer confederation decided to fight back. A relative small strike among joiners was answered by a massive lockout of more than 40,000 workers. The conflict lasted over three months and ended in what has later been called a historical compromise, the September Agreement of 1899: the union side had to recognise the right to manage as the prerogative of employers, while the employers for their part acknowledged the national unions as bargaining partners. A further aspect of the agreement was that authority was strongly centralised as the two confederations "assumed responsibility for the effectuation of agreements concluded directly between them, both on their own account and by affiliates" (Galenson, 1969, p. 100).

The September Agreement of 1899 has been renewed several times and is now called the Main Agreement (*Hovedaftalen*). Seen in a historical perspective its importance lies first and foremost in the fact that the two parties at an early stage recognised each other and showed a readiness to regulate labour relations without state intervention.

In 1908, at the initiative of the government, a joint commission with representatives from the two sides of industry reached agreement on norms for the solution of industrial strife, including a comprehensive peace obligation. An essential distinction was drawn between conflicts of interest and conflicts of rights. The use of industrial action was to be restricted to conflicts of interest, i.e. basically conflicts associated with the renewal of collective agreements or in areas not covered by such agreements. The proposals from the joint committee in 1910 resulted in two pieces of legislation of utmost importance to Danish Industrial relations, namely, the Labour Court Act and the Mediation Act. Both are instruments aimed at helping the parties themselves to solve problems in their internal relationship. The Mediation Act introduced a set of rules whereby "neutral" mediators can help the parties find a compromise in collective bargaining rounds, and the Labour Court put the solution of "conflicts of rights" in the hands of judges appointed by the peak organisations themselves (Galenson, 1969). These regulations, taken together with the September Agreement, can be said to form the constitution of labour relations in Denmark.

3.2 *Later developments: welfare state and spread of the system*

Already in 1907 parliament legislated on publicly recognised unemployment funds. This laid the foundation for a system in which unemployment funds are organised by the unions, but supported by the state. Without doubt this structure contributes significantly to the high affiliation rate enjoyed by Danish unions, historically as well as at present.

In the 1930s, when the government was dominated by the Social Democratic Party, the first basic elements of a welfare state appeared. Besides improvements in unemployment, insurance legislation was introduced to secure old age pension, disability pension, sickness insurance and two weeks' yearly holiday paid by the employer (Galenson, 1969). However, it was not until the late 1960s that what has been termed "generous" welfare provisions were introduced. Again it was governments led by the Social Democratic Party that orchestrated the reforms. Now the goal was to secure material conditions for the unemployed, the sick and the disabled at a level that was not significantly lower than what was enjoyed by people in employment. On the background of a period of virtually full employment in society the predominant view was that unemployment was not the fault of the individual and therefore should not be punished financially. Accordingly, the level of unemployment

benefits and other welfare benefits was lifted to a level only slightly below the average pay for unskilled work.

When full employment gave way to mass unemployment in the 1970s the immediate answer was not to roll back the generous welfare provisions. Instead, an early retirement scheme, granting workers between 60 and 67 years the right to receive an income corresponding to unemployment benefits, was added to the existing security net. In the mid-1990s at a time when unemployment had again risen to dramatic levels, the government for a few years introduced further schemes to try to combat unemployment, namely, schemes for training leave, parental leave and sabbatical leave. Persons belonging to an unemployment fund could for up to one year receive unemployment benefits as leave-takers from a job or from the status as a registered unemployed. When the employment situation improved, these leave schemes were abolished, and, as will be shown in Section 4, a radically different paradigm for (un)employment policies soon took over.

Another important feature of the development of the Danish industrial relations system has been the system's diffusion to almost all sectors of Danish society. Since the 1960s the LO, traditionally organising unions of skilled and unskilled manual workers and office workers having gone through apprenticeship training, has had to share the role as peak organisations with two other organisations, the FTF which is the umbrella organisation for salaried employees (for instance, primary school teachers, nurses and police staff), and the AC which is the confederation of professionals (for instance engineers, medical doctors and researchers). In 1973, a reform of the Labour Court Act extended the jurisdiction of the court to all sections of the labour market and all groups of wage earners. At the same time, other peak organisations than the DA and the LO, among others public sector employers and the FTF and the AC, became entitled to appoint judges to the court (Kristiansen, 2014).

The growth of occupations as well as unions organised by the FTF and the AC was accompanied by the spread of collective bargaining to the public sector, at state as well as local government level. Not just the unions but also governments were interested in introducing this form of regulation, the latter mainly as part of a move away from the very strongly protected employment conditions enjoyed by many public employees at that time (Kristiansen, 2014). Since the 1970s the public sector with almost 100 per cent has had a higher rate of collective bargaining coverage than the private sector where the rate is probably only around 60 per cent (LO, 2011a).

Although the 1970s saw a wave of union organisation in parts of the private service sector, such as hotel and restaurants and IT, significant shares of this sector remain weak regarding union organisation and are not covered by collective agreements. Further, employer organisations have successfully resisted entering into national collective bargaining with certain categories of employees, for instance, engineers.

In spite of the mentioned shortcomings in the extension of the Danish industrial relations system, it remains among the most encompassing systems both concerning affiliation rates and collective bargaining coverage and displays a high degree of path dependency and stability.

3.2.1 The actors – unions: structure and policies. Originally, most unions were associations for the various crafts such as carpenters, joiners, shoemakers, etc. However, the unskilled workers formed general unions with members from the entire labour market, one union for male workers and another for female workers, and in a few industries, for instance, the food processing industry, industrial unions with both skilled and unskilled workers were created. In the course of time many unions, in particular craft unions, have disappeared through amalgamations and mergers. The largest union under the LO umbrella is 3F which in 2004 was the result of a merger between the general unions for males and females, respectively, and in which also a number of former craft unions have been integrated.

Under the two other peak organisations, the FTF and the AC, occupation or profession has been the main criteria for forming associations. Although in general terms, the LO covers skilled and unskilled workers, the FTF salaried employees, and the AC employees with a university or similar degree, in particular the demarcation line between LO and FTF unions is not completely clear, and over the years this has led to a number of conflicts. However, in recent decades relations between the two peak organisations have been cooperative, and recently negotiations with the aim of merging the two confederations have taken place. In general, the relations between the three peak organisations are characterised by cooperation.

Relationships are different to what is sometimes described as the “yellow unions”. These are mainly the Christian Union, which contrary to the mainstream unions is opposed to the use of industrial action, and a few other unions formed in recent decades as “discount” unions, offering cheaper union and unemployment insurance membership than the traditional unions (see more about this in Section 4).

Since the 1899 September Agreement Danish unions have emphasised collective bargaining as key to achieving results for the members. From time to time the strike weapon has been applied to put pressure on employer organisations in connection with collective bargaining, but usually unions have been eager to negotiate solutions that little by little could improve the conditions of workers without jeopardising companies’ profitability, and, indeed, in ways that could contribute to effectiveness and productivity. Already in the 1930s, the Social Democratic Prime Minister Thorvald Stauning called on unions to be concerned with the national economy, and in 1950 the LO president wrote, “The trade unions have taken a broad social point of view. We know very well that one should not saw off the branch on which he is sitting, and we have therefore made ourselves the spokesmen for increasing output, strengthening industry, and increasing export possibilities [...]” (quoted from Galenson, 1969, p. 270). From when income policy became a central issue in the 1960s, the unions attempted to be “responsible” bargaining agents, although they did not always agree fully with employers and the government as to what could be considered “responsible” pay increases. In 1987, the LO and FTF together with the DA and the government signed a joined declaration, which included the aim that labour costs in Denmark shall not rise at a faster rate than abroad. Although the unions formally denounced the declaration in 1998, in reality they have continued to respect it (Kristiansen, 2014). Within this framework the union side is eager to propose changes which involve their members and may serve to improve productivity and innovation. In particular, training and up-skilling of the labour force and the participation of workers in decision making have been cultivated as union demands that supposedly can benefit workers as well as employers.

Put briefly, Danish union strategies play down, but do not deny, the competing interests of employers and workers. The strategies intend to develop cooperative relations between management and labour at societal as well as workplace level and to pursue plus-sum solutions (cf. Crouch, 1993) that are seen as beneficial to both sides. Not surprisingly, the left-wing opposition, mainly active in the 1970s, denounced this line as “class collaboration”.

3.2.2 The actors – employer organisations: structure and policies. Ever since its founding in 1898, *Dansk Arbejdsgiverforening* (DA) has been the key agent regarding the representation of employer interests in Denmark. It is the umbrella organisation for the vast majority of employers in the private sector (the finance sector has its own confederation) and plays an important role in collective bargaining as well as a strong lobbyist in relation to political decision making. It has been estimated that between 50 and 60 per cent of private sector wage earners work in firms affiliated to employer associations (Jensen, 2007).

The DA has always been a relatively heterogeneous confederation consisting of single company members as well as craft- and industry-based employer associations. For decades,

and especially since 1987, organisational restructuring within the DA has aimed at reducing the number of member companies and organisations, and since a major reform in 1994 single companies can no longer enter the confederation. The overall aim has been to boil down the number of member associations to what corresponds to the main sectors or industries, such as manufacturing industry, construction, etc., and subsequently get a national collective bargaining structure with relatively few, sector-based agreements. This aim has only partly been achieved, paradoxically, perhaps, partly because one of the member associations, *Dansk Industri* (DI), has grown too big. It has recruited members outside its original area, manufacturing industry, and has a pure majority in the decision-making bodies of the DA.

The results of sector-level negotiations have to be approved by the DA, and the confederation is eager to make sure that bargaining results do not undermine the competitiveness of Danish companies. An interesting question is: why has the DA not, in spite of having rules that says it is in favour of deregulation, attempted to call off the old class compromise dating back to 1899, for instance by pulling out of bargaining at the national level? A fair answer could be: “The employer side’s acceptance of union organization is linked to functionality. The labour market functions better when wage earners are organized” (Jensen, 2007, p. 281, our translation).

Employer organisations in the public sector, at state and local government level, have tended to share the same philosophy. However, recent events, not least the 25 days long lockout of 67,000 teachers over working time issues in 2013, have signalled a less union-friendly line.

3.2.3 Processes: collective bargaining. After the Second World War, the most important actors in collective bargaining have been the LO on the trade union side and the DA on the employers’ side. Collective bargaining in the private sector normally sets the level for the public sector, and employers outside the area covered by the peak organisations tend to copy the collective agreements from the LO-DA-area. Since the early 1980s, however, the main organisations have increasingly transferred influence to their member organisations as collective bargaining has been “decentralised” to industry level (see Section 4). The present bargaining structure builds upon the restructuring made by the DA in the early 1990s. It is sector based and further divided between an area with minimum wages (*minimallønssystemet*) which can be re-bargained at local level and during the period of agreement (manufacturing, construction, trade and services), and an area with so-called normal wage (*normallønssystemet*) (transport, food processing and cleaning) where the nationally bargained pay rates apply directly. For some categories of workers (21 per cent), pay is not determined in the national agreement at all. The share of workers on normal wage was in 2014 only 19 per cent (DA, 2014). This means that for 81 per cent pay is entirely or partly determined at the workplace level.

The DI is by far the most powerful sector organisation among the employers, and manufacturing is the most important bargaining area. The collective agreement for this sector is usually trend-setting. As mentioned above, although the DA itself is not a bargaining agent, the confederation keeps a firm grip on what is being agreed, as member organisations are not entitled to sign a collective agreement before acceptance from the DA. In practice, this central power in the DA is controlled by the DI having more than 50 per cent of the votes.

The trade unions within the LO area have not been capable of finding their own way to influence the structure of collective bargaining. They have simply been forced to follow the path outlined by the DA (and the DI). At the organisational level, they have not been able to create an unambiguous trade union structure, but have instead formed union “cartels” for collective bargaining purposes. These cartels, the most important one being *CO-Industri*,

cover approximately 600 collective agreements, and totally private sector bargaining between LO and DA organisations covers around 600,000 workers.

In the public sector, collective bargaining is divided between on the one hand central state and on the other hand regions and municipalities. Correspondingly, the relevant unions and the LO, the FTF and the AC have formed two negotiating bodies, the CFU (central state) and KTO (municipalities). These areas cover approximately 800,000 employees.

During the past 50 years collective bargaining in Denmark has, with a few exceptions, taken place every second year for almost the entire labour market. During the last 15 years or so, the pattern has been less clear, though, as some agreements have run for three years, and bargaining in the private and public sector has taken place in different years.

3.2.4 Processes: representation and participation in decision making. In Denmark, the collective representation of employee interests may take place through four different channels, namely, shop stewards, cooperation committees, health and safety committees, and by seats on company boards (Knudsen, 1995).

Historically, shop stewards, local trade union representatives, first appeared in 1900 when the collective agreement for the iron industry pioneered the recognition of an elected spokesperson for workers. During the next century, this institution spread to all sectors of the labour market. The shop steward has a triple role consisting of representing the interests of the employees, representing the interests of the union locally and “to do his best to further a good and smooth co-operation in the shop” as it was formulated already in the first agreement (quoted from *Samarbejdet mellem arbejdere og akademikere*, 1974, our translation). Shop stewards generically form part of the collective bargaining system. Their main functions are to bargain locally and monitor the observance of the national collective agreement.

Cooperation committees have existed since 1947 when the LO and the DA concluded an agreement on cooperation at the workplace. Later the remaining parts of the labour market followed suit, including the public sector. The cooperation committee is a joint management-employee body. Shop stewards have priority as employee representatives, while other seats may be filled with representatives of occupational groups that do not have a shop steward. Thus, basically the shop steward reappears in this structure, but now on a different scene. Contrary to bargain issues such as pay and working time the issues discussed by the cooperation committee are defined as “management issues”. According to the cooperation agreement management has the obligation to inform and consult employee representatives on a range of issues and the parties must work together in good faith and attempt to reach joint solutions (Knudsen, 1995).

The health and safety committee, or work environment committee as it is called since the last revision of the 1975 Work Environment Act, sometimes functions as an independent body and sometimes is integrated with the cooperation committee. Its function is to discuss and monitor conditions that influence safety and physical as well as mental health.

Finally, the fourth channel of participation is representation at board level. Based on legislation from 1973, as amended in 1980, Danish workers are entitled to elect representatives to fill one-third of the seats on boards of public limited companies (Knudsen, 1995). The legislation was influenced by two chains of events. One was that the very determined union and social democrat campaign for economic democracy, aiming at funds that would increasingly make the economy owned by the unions, had just failed to be enacted in parliament. Board-level representation was then seen as the next best that could be done to further workers’ collective influence on the economy. The other factor at play was the so-called Vredeling Directive, in which the European Commission proposed board-level representation to become mandatory in all member states. Although later proved wrong, it was the expectation that the directive would soon be adopted by the European Communities, so Denmark might as well legislate sooner than later!

Compared to the German institutions for *Mitbestimmung* Danish participation rights are relatively weak. There are no genuine co-decision or co-determination rights. The actual practicing of participation therefore importantly depends on local factors, not least the commitment among managers and union representatives. Studies of the functioning of cooperation committees and board-level representation suggest rather great variations: from workplaces where management embraces employee representatives to workplaces where management and/or representatives hardly use the institutional set-up at all (Agerfold, 2002; Fauerholdt, 2014).

3.2.5 Processes: conflict. Fundamentally, two types of work stoppages occur in the Danish industrial relations context. The first one is the official strike, or lockout, which is linked to collective bargaining, either when an agreement is in the process of being renewed or when steps are taken by a union to obtain a collective agreement in places that have hitherto not been covered. A special type of the official strike is, “the sympathetic work stoppage, so important in Denmark because of the strength of organisation among workers and employers [...]” (Galenson, 1969, p. 244). In a sympathetic strike workers not directly involved in a conflict may be called by their union to boycott the delivery of goods and materials to a firm from which the union demands a collective agreement, thus very effectively putting pressure on the employer.

The other main type is the unofficial strike which is usually confined to workers, or perhaps only a group of workers, at an individual workplace. Unofficial strikes are also sometimes called illegal. If such a strike runs longer than a short period, in which the relevant union and employer association attempt to find a solution that can end the strike, it will be brought before the Labour Court. The court will typically order the workers to return to work and impose a fine on them (Kristiansen, 2014).

Whilst the number of unofficial strikes by far tends to outnumber the official ones, the opposite is the case when working days lost are counted. Galenson (1969) noted that 73 per cent of total working days lost from 1899 to 1948 occurred in seven particular years, notably years where national agreements were renewed. A similar pattern is visible for the period since the Second World War. Large conflicts connected to the renewal of collective agreements in particularly 1956, 1973, 1985 and 1998 account for the vast majority of working days lost due to industrial conflict. A noticeable difference, though, is in the incidence of lockouts. While from 1899 to 1948 about half of total working days lost were caused by lockouts, the bulk of lost days since then have been due to strikes. The lockout, however, has not disappeared. A large conflict in 2013 was caused by the lockout of the teachers by the national association for local governments.

Since the 1970s, the Danish conflict level, measured as working days lost due to industrial conflict, has moved from a middle position to a place near the top when compared with other European countries, so contrary to its image as a peaceful and harmonious system, Denmark, belongs to the most conflict-prone countries. However, this is not due to any rise in the Danish conflict level, actually the level was more than halved from the 1970s to the first decade in this century, but is first and foremost the result of dramatic reductions in conflict levels in other countries. With 97 working days lost per year per 1,000 employees the Danish conflict rate was historically low (Knudsen and Lind, 2012a).

3.3 Outcomes

“They may not be working long hours, but they are getting the job done”, Helen Russell (2016, p. 54) remarked when drawing a picture of working life and labour relations in Denmark. On the basis of OECD statistics and other sources she pointed out that Danish employees are relatively satisfied with their work, work fewer hours than workers in almost any other country and at the same time are among the most productive.

Since 1990, the collectively bargained weekly working time has been 37 hours (as compared with 60 hours in 1900, 48 hours in 1920, 45 hours in 1960 and 40 hours in 1975). Annual holidays were, in the wake of a successful strike in connection with the 1998 bargaining round, increased to six weeks per year. Real wages have, with only a few interruptions, been growing steadily for more than a century. The last interruption was in the years after the 2008 crisis, until in 2013 real wages started growing again. Since the early 1990s pension schemes have been part of the collective agreement for all categories of workers. Further, most collective agreements contain rights to paid maternity leave and paid in-job training.

Not directly an effect of the industrial relations system, but linked to it as part of the results won by the labour movement as a whole, the welfare state provide workers – and people who are unable to work – with a safety net, guaranteeing them a basic income. However, as will be shown in the next section this safety net has been weakened during the last decades.

Regarding the outcomes of the system for employers it is more difficult to distinguish the effects of the IR system from other elements in the national environment. Yet, it seems obvious that the IR system has played a key role in providing Danish employers with a labour force that is well-qualified, cooperative, innovative and flexible. Further, the employers are receiving support from a public sector that provides a basic level of income security, free education, and training and various labour market schemes geared to increase the supply and quality of labour. Weighing against these advantages are the relatively high wages. Danish employers often complain about high labour costs. Yet, the Danish economy has remained competitive and able to adapt to a globalised environment, and on the whole employers seem willing to pay the relatively high wages as a necessary price for getting access to the advantages accruing from “the Danish model”.

4. Since 1980: the forward march of labour halted?

In this section, we will deal with certain key developments that have flavoured the industrial relations in Denmark since around 1980. The period is dominated by the change from a Keynesian macroeconomic paradigm to a neo-liberal or monetarist macroeconomic paradigm. This change involves a different attitude to welfare state and social regulations and, in principle, a hostile attitude to trade unions. The basic liberalist view is that unions distort the market and create obstacles to economic growth by keeping the wages at a higher level than set by supply and demand.

The change from a social democratic to a conservative-liberal government in 1982 marked this shift in economic and political strategy. The attempts to curb inflation during the 1970s by means of incomes policy were given up, and state interventions in collective bargaining (as seen in 1975, 1977 and 1979) became less frequent during the 1980s and later. Still governments have continued to intervene when a major conflict “disrupted” the economy or they had a special interest in certain measures. In 1983, the government abolished the cost-of-living adjustment, and a recent intervention was in 2013 when the government removed a collective agreement on working time for school teachers.

This section will deal with four important developments that can all be seen as examples of a turn where labour’s forward march has been halted, or, indeed, reversed: decentralisation of collective bargaining; declining trade union membership; cuts in unemployment insurance and the declining ambitions of employment policies; and globalisation, the EU and social dumping. These are all developments that have changed conditions and the power relationship between labour and capital.

These four items are chosen to illustrate the main tendencies in collective bargaining and welfare policies since around 1980. They all weaken the trade unions and workers’ interests, but there have also been improvements in workers’ rights and living conditions. The working week has been reduced from 40 to 37 hours, pension schemes have been augmented and

improved, holidays have been expanded and maternal leave schemes have been improved. Such developments may soften the general decline but they do not change the tendency of weakening labour's position in Danish industrial relations.

4.1 *Decentralisation of collective bargaining*

A solidaristic principle in collective bargaining is achieved by a centralised bargaining structure where the same rules and standards apply to everybody. A centralised bargaining structure most effectively reduces competition among the sellers and buyers of labour. Workers shall not compete on wages and working conditions and employers must compete in other areas, for instance investment in new machinery and the skills and qualifications of the workforce. At a more decentralised and individualised bargaining system the price of labour is more dependent on the market and the changing conditions of the business cycle.

The decentralisation of Danish collective bargaining started in the early 1980s when single unions and bargaining cartels became bargainers instead of the main confederation, the LO. A similar change took place on the employer side where the member organisations of the employers' main organisation, the DA, became bargaining agents. The agreements in the private sector have ever since been bargained in four to five industries covering a number of agreements each. The bargaining system in the public sector is divided into three areas: state, regions and municipalities, with cartels composed of several unions representing the employee side.

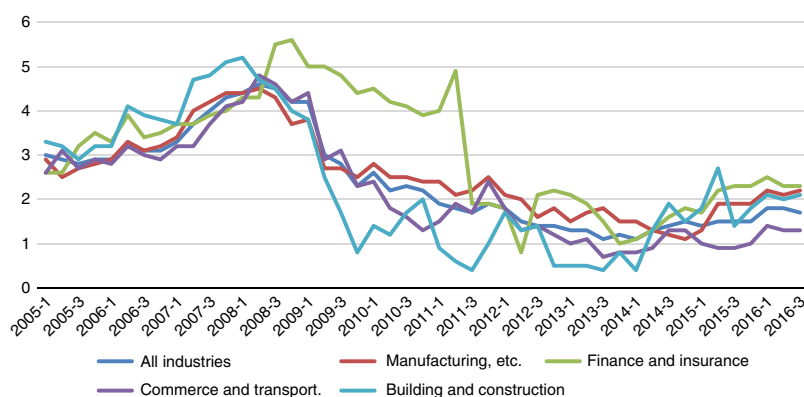
Apart from a few company-level agreements notably in companies that were not members of employer associations, this bargaining structure was still based on national coverage and only moved the bargaining from the level of the peak organisations to sector-level national bargaining. A more radical change in the direction of decentralisation took off during the early 1990s when the wage system was changed into pay increasingly being bargained at the individual workplace. This flexible system now covers more than 80 per cent of the agreements and for the great majority of workers means that the wage levels bargained at national level are only minimum standards, which are supplemented by increases bargained at local level.

In the public sector, decentralisation of wage setting was introduced in the late 1980s with the so-called "local wage" system and especially with the introduction of a more individualised system, "New wage", in 1998.

There is no doubt that the decentralisation of wage setting has been a significant tendency during the past 20-25 years, but it is also evident that this decentralisation has not been implemented in a way where wages are completely individualised and only decided at the workplace level. This is due to opposition both among unions and from employers' organisations who are interested in being able to control the general level of wages in order to be competitive in the globalised economy. The present system has been termed "centralised decentralisation" (Due and Madsen, 2006) or "coherent fragmentation" (Lind, 2004) to describe that it would be an exaggeration to label collective bargaining in Denmark simply as decentralised. Especially in an international comparison such a phrasing would be imprecise.

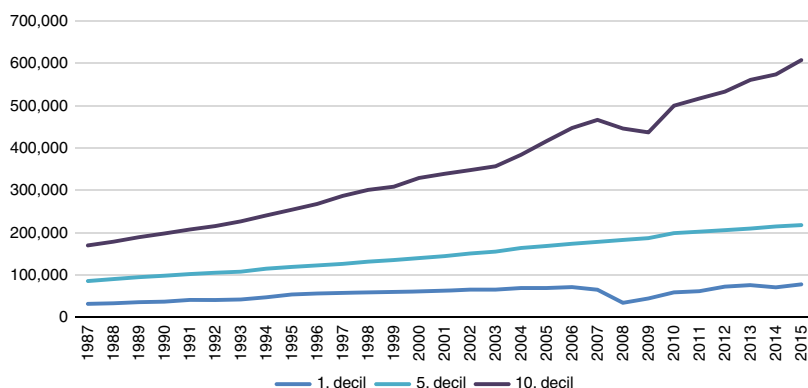
Decentralisation of wage settings has presumably to some extent resulted in a more differentiated wage structure. The overall pattern among the various industries does, however, not show any tendencies to marked and growing differences in wage increases during the past decade. Except the deviations of finance and insurance during 2009-2011 they all follow the same pattern of adjusting to the business cycle (cf. Figure 1).

The effects of the decentralisation may be more visible in measuring the distribution of income. The Gini coefficient has been increasing from 22 in 1992 to 29 in 2015 (LO, 2016) and the growing inequality is also visible if we look at the development among the various deciles of income. From 1987 to 2015 the lowest (1.) decile has had a much lower increase than especially the highest incomes (10. deciles) (cf. Figure 2).



Source: Danmarks statistik, statistikbanken

Figure 1.
Wage increases
in 2005-2016,
Denmark (per cent)



Source: Danmarks statistik, statistikbanken

Figure 2.
Income for 1., 5. and
10. decile, Denmark

Overall, decentralisation has resulted in a change of power in favour of the employer side, in particular since local wage bargaining is not subject to industrial action (Kristiansen, 2014). However, the bipartite character of the bargaining model is still intact. Unions continue to play an important role, in national as well as local bargaining, and have in most cases upheld the principle that outright cuts in pay are unacceptable.

4.2 Decreasing membership of trade unions

A key feature of Danish industrial relations is the high trade union density. In the literature, the high union membership rate in Denmark has often been linked to, if not explained by, the important role of the bargaining system (see, for instance, Due *et al.*, 1993). Undoubtedly the bargaining system plays a role, but there is strong evidence to suggest that an even more important factor is the close connection between trade unions and unemployment benefit funds. In this system unemployment insurance is administered by the unions, which means that unions and unemployment funds historically have been seen by workers as one and the same thing (Lind, 2009). The unemployment funds are in charge of key elements of social security, notably unemployment benefits and the early retirement

scheme (in force since the late 1970s). Relatively few countries have systems that are comparable to the Danish system, Finland and Sweden (at least until recently) being the most important ones and, indeed, with union affiliation rates similar to the Danish ones.

Unlike in many other western countries where union density fell from the 1980s and more or less has done so ever since, the union affiliation rate actually increased in Denmark (and Finland and Sweden) until the late 1990s. Since then, especially the unions associated in the LO have experienced a significant loss of members (cf. Table I). The LO unions' membership peaked in 1996.

The LO has lost terrain relatively as well as absolutely. Among the two other traditional confederations, the FTF (salaried employees) has experienced stagnation whereas the AC (employees with a higher education) has increased its membership figures, and also now has a stronger relative position. What is the most conspicuous change, however, is the relatively strong growth of unions that stand outside the three confederations. Most of the unions in this category are so-called yellow unions (although the Union of Engineers was also included from 2009 to 2014, in Table II in 2010 and 2012). Thus, unions that form part of the institutions constituting "the Danish model" have been markedly weakened, although total union density remains high in Denmark.

The LO is still by far the most important main organisation, but it has lost more than 400,000 members since the mid-1990s, and the day when the LO will represent less than 50 per cent of organised labour in Denmark is getting close. The LO's membership loss is to an important extent, but certainly not entirely, due to changing occupational structures. Fewer people are employed in the industries and trades that typically are basis for LO member unions. Changing occupational structures are also the main explanation for the growth among AC unions.

Table I.
Members of trade
unions in
Denmark (000s)

Year	1970	1980	1990	1995	2000	2004	2008	2010	2012	2014	2015
Labour force ^a	2,027	2,384	2,669	2,648	2,659	2,656	2,723	2,704	2,591	2,594	2,610
LO	894	1,250	1,423	1,510	1,459	1,386	1,251	1,201	1,123	1,050	1,026
FTF	156	277	325	332	350	359	359	358	353	346	344
AC	–	70	103	132	150	165	174	137	142	203	217
LH (managerial staff)	–	–	71	75	80	76	74	83	91	95	102
Outside LO, FTF, AC, LH	111	197	130	114	123	140	202	271	344	305	328
All trade unions	1,162	1,794	2,051	2,163	2,162	2,127	2,062	2,050	2,053	1,999	2,017
Per cent of labour force	57	75	77	81	81	80	76	76	79	77	77

Notes: The figure for 2015 is estimated. Danmarks frie fagforeninger (the free trade union in Denmark) not included. Engineers left the AC in 2009 and joined again in 2014 (43,000 members in 2009). ^aSelf-employed not included

Source: Danmarks Statistik, Statistikbanken

Table II.
The confederations' share of total union membership (per cent)

	1970	1980	1990	1995	2000	2004	2008	2010	2012	2014	2015
LO	77	70	69	70	68	65	61	59	54	53	51
FTF	13	15	16	15	16	17	17	17	17	18	17
AC	–	4	5	6	7	8	8	7	7	10	11
LH (managerial staff)	–	–	3	3	4	4	4	4	4	4	5
Outside LO, FTF, AC, LH	10	11	6	5	5	6	10	13	18	15	16

Note: See legend of Table I regarding engineers' union

Source: Own calculations

However, notably within the LO area members have also been lost to the “yellow unions”. Among these organisations the Christian Trade Union (*Kristelig Fagforening*) has existed for many decades, whereas others are relatively new on the scene, among them a number of organisations organised under an umbrella termed the Professional House (*Det Faglige Hus*). Since 2000, these unions have got more than 200,000 new members – or customers as they call it. Some of the new members choose these unions for ideological reasons (political, religious), but the main reason is financial, since membership fees are relatively low in these organisations. The “yellow” unions are able to provide certain services, mainly legal assistance, to their individual members. However, they are clearly less powerful than the traditional unions and have only on rare occasions managed to be parties to a collective agreement at workplace level. Neither the traditional trade unions grouped in the LO, FTF and AC nor the employer organisations recognise the alternative unions as part of “the Danish model”. Still, they constitute a growing share of Danish union members. They can be seen as the system’s “free riders”, as they often enjoy the same pay and working conditions as those of their colleagues who are members of the “real” unions, those that fight for and sign the collective agreements.

A part of the explanation of the decreasing affiliation to the traditional unions, and to falling union membership more generally, must be found in developments in the unemployment insurance system. Membership of unemployment funds remained relatively stable at around 2.2 million members till the end of the 1990s, but from 2000 to 2008 unemployment funds lost 120,000 members. After the beginning of the crisis in 2008, the decline was more moderate until 2013 when it accelerated again due to a severe tightening of eligibility (see below). We will now turn to this issue: the political regulation of unemployment and its importance for industrial relations.

4.3 Unemployment insurance and employment policies on the decline

As mentioned earlier the special construction of the unemployment insurance in Denmark (and Sweden and Finland), the Ghent system, is of great importance to trade union membership rates. If membership of unemployment funds is made less attractive – as has been the case since around 1980 – fewer people will join the insurance and most likely also the unions.

Unemployment insurance has always been very important to workers and unions and in a broader perspective for the functioning of the labour market. The level of social compensation in case of unemployment is not only important to the standard of living for the individual unemployed but also to the competition in the labour market and the level of wages: with no legal minimum pay in Denmark the level of unemployment benefits will tend to be the lowest level of pay an unemployed person will accept when offered a job.

At major reforms of employment policies during the 1960s and 1970s unemployment insurance was changed in two important aspects. First, unemployment benefits were raised to 90 per cent of former wages (with a general maximum at 90 per cent of average pay) which meant that low paid workers were compensated by 90 per cent of former wages while higher paid workers had a lower compensation rate. The average compensation rate was, however, around 80 per cent during the 1970s. Second, the state financed extra expenses in periods with high unemployment rates (via general taxation). Membership dues only financed about 10 per cent of the expenses.

During the 1970s, this insurance system was expanding and came to include more and more groups in the labour market and the access to unemployment benefits was widened by longer periods of entitlement and weaker demands and controls on the unemployed. This changed in 1979 when the first limitations in the access to unemployment benefits were introduced. Ever since, the unemployment insurance has been made less attractive by numerous cuts and measures aimed at controlling the unemployed (their availability for

vacant jobs). The period for claiming benefits was, in principle, without limitations in the early 1980s, but has since then been reduced several times, in the latest instance from four years down to two years taking effect from 2013. From January 2013 to July 2015, 60,000 persons lost their unemployment benefits because of these restrictions in eligibility (AK-Samvirke, 2015). Furthermore, since 1982, unemployment benefits have failed to be regulated in a way that can match wage increases and inflation with the result that the average compensation rate has dropped from around 80 per cent in the 1970s to approximately 50 per cent in the 2010s (LO, 2006, Det økonomiske Råd, 2014). Figure 3 shows the decline of the compensation rate for skilled male workers and unskilled female workers.

Structurally, the traditionally close ties between unions and unemployment funds were weakened by changes introduced shortly after a right-wing government took power in 2001. The conditions that linked unemployment funds to specific trades, occupations or segments of the labour market were liberalised so that “cross-occupational” funds were allowed. This made it possible for the yellow unions (all of which are open to workers from all sectors and occupations) to set up unemployment funds and thus make the package they can offer to members more attractive.

Employment policies in Denmark – in recent years called flexicurity as mentioned above – were developed in the 1950s and 1960s and called “active labour market policy” on the basis of ideas mainly from Sweden (the Rehn-Meidner model, see Hedborg and Meidner, 1984). It was designed to support general economic policies to strengthen economic growth, combat unemployment and inflation and secure an acceptable level of social justice (redistributive policies). In the theory, qualification and geographical imbalances between various segments in the labour market should be reduced by training unemployed people in one segment to qualify them for another segment where demand exceeded supply of labour (and therefore might cause inflation). Or, in case of unemployment in one geographical area workers would be financially supported to move or commute to an area with excess demand.

Since a labour market reform taking place in 1993, activation of the unemployed has been a main pivot for “active labour market policies”, thus shifting the focus from the demand to the supply side. The rationale of activation measures have increasingly become to discipline the unemployed, so that they are prepared to accept whatever vacant job there might be (Møller *et al.*, 2008). In general, the tendencies in unemployment policy during the last 10-15 years have been to reduce the access to unemployment benefits, increase activation (job offers, subsidised jobs and short training periods) and reduce temporary or permanent

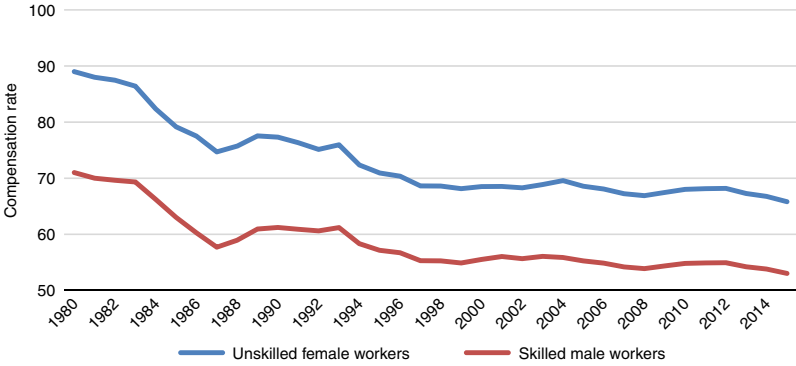


Figure 3.
Compensation rate of
unemployment
benefits for skilled
male workers and
unskilled female
workers (1979-2015)

Source: CASA (2015)

withdrawal from the labour market (by abolishing the leave schemes introduced in 1990s, abolishing an early retirement scheme for people between 50-60 years, and making the early retirement scheme for people aged 60 or more much less attractive). These changes have been introduced with explicit reference to “structural” problems and “bottlenecks” in the labour market and the fear of not having the sufficient amount of labour to secure the welfare state in future. Welfare cuts have been legitimised by the necessity to save the welfare state!

With the cutbacks in unemployment insurance and the deployment of activation policies as a disciplining – and not qualification – measure for the workers, employment policies have changed profoundly since the 1970s. The main intention is no longer to compensate workers who have lost their job, but to strengthen the incentives for them to seek a new job, thereby increasing competition in the labour market with the aim of keeping down wage levels. Until the early 1980s, the general interpretation and political understanding of unemployment were that unemployment was due to the malfunction of society. Since then the conviction has spread that unemployment is caused by the individuals themselves. Accordingly, social security provisions shall not compensate for malfunctions of the system, but must be sufficiently low to ensure that the incentives of the individual to take a job are strengthened. Labour market flexibility is hence no longer achieved through social security based upon relatively high unemployment benefits and opportunities for training and education for the next job, but rather flexibility is based upon fear of unemployment and poverty.

4.4 Globalisation, the EU and social dumping

Globalisation, understood as the worldwide liberalisation of trade, investments and capital movements, has not been a big issue in Danish industrial relations. Although many jobs have moved from Denmark to Asian and Eastern European countries, this has not been challenged by the Danish unions. This is due to their “pro-capitalist” strategy based on the belief that the road to affluent workers goes through prospering companies. Many companies have outsourced production operations to countries with lower labour costs, but have kept and often expanded research, development and the more sophisticated part of production tasks in Denmark. As a result of the latter as well as growth in the service sector, employment has not been hit drastically, with the important exception, however, of the years just after the 2008 crisis when about 200,000, or 10 per cent, of the jobs in the private sector disappeared.

It is mainly indirectly, through the Danish membership of the European Union, that questions relating to globalisation and its effects for labour have entered the country’s IR agenda. In particular, social dumping has become an issue.

In the Danish debate initiatives taken by the European Union have often been defined as threats to “the Danish model” because increased legislation on the basis of EU directives have been feared to undermine the bargaining system (Due *et al.*, 2000, Knudsen and Lind, 2012b).

In reality, however, most directives have only marginally influenced Danish industrial relations. Yet, certain serious challenges have come from European court rulings interpreting the European provisions. The decision in 2006 on the freedom to organise or not was the decisive farewell to closed shops in Denmark (Applications Nos 52562/99 and 52620/99, European Court of Human Rights). Conservative-liberalist governments had tried to get rid of closed shops but had not succeeded. Many trade unionists saw the ruling of the Court as a heavy blow to the power basis of the unions although only an estimated 200,000 workers were covered by closed shop agreements at the time when they became illegal.

From the European Court of Justice, the Laval case (C-341/05) from 2007 and the related Viking (C-438/05) and Rüffert (C-346/06) cases have had even more serious implications (Bücker and Warneck, 2009). At the core of the Laval case was the question whether unions in the host country (in this case Sweden) are free to take industrial action in order to attempt to force an employer with workers from a different member state (in this case Latvia) to sign

a collective agreement. The Court demanded that companies should be able to know the expected wage level in an area, but this is difficult in Denmark and Sweden where there is no minimum wage in areas without a collective agreement. According to the Danish (and Swedish) bargaining system wages will be set by collective bargaining by applying procedures that may include an industrial conflict. Following the Laval ruling, in 2008 legislation was passed in Denmark saying that industrial action was legal provided that the foreign employer was informed about the normal level of pay. Apart from the uncertainty on how clear such information must be in a decentralised and individualised wage system, there is now from a juridical point of view no difference in procedures for Danish and foreign employers, but trade unions are fearing a possible future case on the issue.

The Laval case and its until now rather unclear repercussions has strengthened the already existing tendency that foreign companies and workers are working in Denmark on terms that deviate from “the Danish model” (Hansen and Hansen, 2009). However, it was a victory for the union side when in 2015 the Danish Labour Court ruled that Danish unions are entitled to take action, in particular through sympathetic action by blacking deliveries and services to flights, as steps to obtain a collective agreement with Irish based Ryanair, after this company had established itself with hubs in Copenhagen and Billund. Ryanair reacted by moving the hubs to airports in neighbouring countries (Sinander, 2015), but withdrew from its threat to take the case to the European Court.

Social dumping, which has been debated in Denmark since the country’s entry into the EC in 1973 but only became a significant issue after the 2004 enlargement, appears typically concerning issues that are not covered by legislation, but may be, or may not be, covered by collective agreements.

The relatively few reports available on wages and working conditions among migrant workers show that the biggest differences between Danes and migrant workers can be found in foreign companies with posted workers. The migrant workers are in general paid less than the Danes, their working environment is poorer, they work longer hours, the intensity of work is higher and a number of living conditions are worse. Further, they are to a much lower degree member of unions and covered by collective agreements (Hansen and Hansen, 2009, Arnholtz & Hansen, 2011, Pedersen and Thomsen, 2011). The number of foreign workers from the EU was 79,000 full time persons in 2010 and had increased to 109,000 by 2015. The main increase was among workers from Central and Eastern Europe (Styrelsen for Arbejdsmarked og Rekruttering, 2016). Migrant workers from the EU constitute about 5 per cent of the labour force in Denmark.

A 100 per cent coverage of collective agreements would hardly solve the problem of social dumping. Most national collective agreements contain some very flexible elements – not least regarding wages. As mentioned earlier for most workers final pay is negotiated at the individual plant.

In Denmark, the only dedicated actors that take up the struggle against social dumping are the unions, but their handicap is that they also are keen defenders of the bargaining system and are against legislation (LO, 2011b); this means there is no support for a legislated minimum pay, which is an instrument that to some extent could counter social dumping.

All in all it can be concluded that the free movement of labour and the increased competition for jobs in the Single European Market, as well as problematic pieces of regulation such as the Laval ruling, has made it more difficult for the organised industrial relations parties to keep everybody under the umbrella of “the Danish model”. The stronger competition in the various labour markets – especially building and construction, road transport, agriculture and forestry, and cleaning in hotels and restaurants – may have been an important factor for keeping wage increases down, and the increase in the number of workers working under sub-standard conditions is a challenge to a system which otherwise has proven quite resilient through the era of globalisation.

5. Conclusions

The attentive reader may have noticed that we find that industrial relations in Denmark have been changing in favour of the employers. This change has taken place with a simultaneous reduction in the welfare state social provisions, and the result is increasing inequality in society. In his research covering the period up to the 1950s, Galenson (1969) remarked that "If there is any nation that can peacefully adjust the social conflict arising from industrialization, with equal regard to the welfare of the individual citizen, whether he be worker, farmer or businessman, it is Denmark" (p. 275). We can make almost the same observation more than 60 years later, although change now stems from globalisation and informatisation rather than industrialisation. But the difference from then and now may be that during the 1950s and the period following the Second World War workers believed in the progress and the expanding social security of the welfare state. The dominant political ideology was social democracy and Keynesianism. Nowadays, the welfare state has been on the retreat for almost 40 years and the dominant political ideology is liberalism and an economic paradigm that is hostile to the state – a hostility that is derived from the belief in the market as the most effective and just mode of regulation. The interesting question is if the relative peacefulness and harmony of the Danish system will prevail in the future?

After having presented the key features of Danish industrial relations in Section 3, we have pointed to four areas of developments that take us to the conclusion that the interests of employers have been favoured and the interests of labour disfavoured. The balance between capital and labour – if there has ever been such one – has been changing during the past many years, and it does not look like this tendency is going to be halted.

We identify the turning point from welfare ideology to market ideology in Denmark to have taken place in the early 1980s, and we have analysed four issues which we find provide us with arguments for such a conclusion:

- (1) Decentralisation of pay determination has changed the balance of power within the bargaining model in favour of employers, without, however, having changed fundamentally the bipartite character of the model. Unions still play an important role, in national as well as local bargaining, and the ups and downs of income growth changes with the business cycle. But increasing inequalities between rich and poor may also be a result of the decentralisation of collective bargaining.
- (2) Decreasing membership of trade unions is a warning of losing a remedy for striking a better balance between labour and capital. In Denmark, total trade union membership is still relatively high, but the growth of "yellow unions" that have no collectivist strategy is a clear weakening of Danish unionism.
- (3) Cuts in the aspirations of employment policy and especially the radical cuts in unemployment insurance not only erode the so-called flexicurity model. Workers do not feel the security anymore: they are not flexible because of security, but because of insecurity. Obviously, this increases competition among the sellers of labour, and that is the main reason for these cuts in social security. But cuts in unemployment benefits and liberalisation of the rules concerning unemployment funds also have a special effect: to contribute to an undermining of the close relationship between membership of an unemployment fund and a trade union which historically has been extremely important for union organisation.
- (4) A strengthening of market forces and competition in the labour market can also be seen from the impacts of globalisation and more specifically from EU regulation which favours the free movement of labour. The result is "social dumping" because wages, taxes and social provisions vary among the EU member states. In a country

like Denmark where the main collective regulations take place via collective bargaining, the result is a major pressure on wages and other working conditions.

In spite of the changes in the favour of capital, the Danish development has also been one of the continuities. The national institutions regulating labour market and working life are still strong and encompassing. The class compromise founded in 1899, although reformed and changed in many respects over the years, is still in force. Strong corporatist features are still present, although increasingly encroached by market forces. Danish industrial relations are still distinctly different from liberalist as well as legalistic models.

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